
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Geothermal Tax Credit

The Geothermal Tax Credit equaled 10.0% of qualified residential geothermal system installation costs. The Credit was available during calendar years (CY) 2017 and CY 2018 and was repealed January 1, 2019. Oversight of this tax credit was a function of Department of Revenue tax return auditing.

Tax Credit Background

- Enabling Legislation: 2016 Iowa Acts, chapter [1128](#) (Miscellaneous Tax Changes Act) and 2018 Iowa Acts, chapter [1161](#) (State and Local Taxation Act)
- Code Citations: Iowa Code section [422.10A](#) (repealed)
- Administrative State Agency: None
- Sunset Date: Repealed
- Transferable: No
- Refundable: No
- Carryforward: Up to 10 years
- Legislative Tax Expenditure Committee Review Years: None

Legislative History

When the Geothermal Tax Credit was enacted in 2016, an Iowa income tax credit for residential geothermal installations already existed (the Geothermal Heat Pump Tax Credit). However, the existing credit was based on a federal tax credit and the federal credit was allowed to sunset. The Geothermal Tax Credit did not require a federal credit and therefore was available during years when there was no federal geothermal credit. The federal credit was later reinstated and the Geothermal Heat Pump Tax Credit was available to Iowa taxpayers again beginning with tax year 2019. The Geothermal Tax Credit was repealed in 2018 ([SF 2417](#)).

Tax Credit Review, Usage, and Future Liability

The Geothermal Tax Credit is not included on the list of tax credits to be reviewed by the Tax Expenditure Committee, so the Department of Revenue has not completed a thorough review of the tax credit usage and benefits. Based on factors used for the fiscal estimate when the tax credit was created, residential geothermal installations earn an average of \$1,750 in State tax credits. From FY 2018 through FY 2019, an estimated \$1.4 million in tax credits was redeemed. While this translates to 815 residential geothermal installations, the actual number of installations is higher because as a nonrefundable tax credit, a portion of the tax redemptions for existing installations will occur in future tax years.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report-category/contingent-liabilities

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/default/files/2019-09/TaxCreditsUsersManual2019.pdf

Legislative Services Agency Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Geothermal Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2005	\$ 0	FY 2015	\$ 0
FY 2006	0	FY 2016	0
FY 2007	0	FY 2017	0
FY 2008	0	FY 2018	319,344
FY 2009	0	FY 2019	1,106,207
FY 2010	0	*FY 2020	146,074
FY 2011	0	*FY 2021	34,625
FY 2012	0	*FY 2022	9,400
FY 2013	0	*FY 2023	9,400
FY 2014	0	*FY 2024	9,400

Geothermal Tax Credit Redemptions

*Projected

